

Hearing Looks Into CIA Role In Tax Probe of Charity Fund

By Morton Mintz
Staff Reporter

The Central Intelligence Agency continued to channel money through a charitable fund to an undisclosed destination for at least two years after it was told by the Internal Revenue Service that the fund was being investigated for possible abuse of its tax-exempt status.

This was brought out yesterday at a hearing of a House Select Small Business subcommittee. The chairman, Rep. Wright Patman (D-Tex.), said that the investigation may involve "millions of dollars in tax liabilities."

The tax exemption is still in force while the Internal Revenue Service investigation, which one member of the subcommittee called "interminable," continues. The IRS said it had been handicapped by a shortage of investigators and a surplus of tax matters needing investigating.

Exempt Since 1946

The tax exemption was granted in 1946 to the J. M. Kaplan Fund, Inc., of New York City. Twice in the 1950s, district directors of the Internal Revenue Service recommended that it be revoked. In 1960, after consultation with IRS headquarters in Washington, a third district director recommended that the exemption remain in force.

Patman said he brought up the CIA in "the public interest" and because "I feel like I've been trifled with."

He said that during a hearing on Aug. 10 he granted a request made by the Commissioner of Internal Revenue, Bertrand M. Harding, and his assistant, Mitchell Rogovin, for a private consultation.

Pipeline for CIA

Patman said Rogovin told him that the Kaplan Fund has been operating as a CIA conduit, and that he would rather not discuss the matter for the public record.

The aide indicated, Patman continued, that the association with CIA "was the reason for the lack of action on the part of the IRS."

He and a member of the subcommittee, Rep. James Roosevelt (D-Calif.), said that CIA had failed to supply reliable information on the matter.

In this circumstance, Roosevelt told newsmen, Congress has a right to know if a man is using CIA funds for the country's interest or his own.

Agency Remains Silent

CIA refused to comment. Kaplan, the financier for whom the fund is named, could not be reached. An aide said there would be no comment.

The stated purpose of the fund is "to strengthen democracy at home and abroad . . ."

At one point, Patman turned over to Harding copies of the Kaplan Fund's tax returns for 1961, 1962 and 1963 and asked the Commissioner to tell him where the CIA contributions appeared. Harding testified that he was unable to find them.

Following this, Patman gave the Commissioner a list of contributions made to the Kaplan Fund during the same years—1961 through 1963—by eight organizations. The donations totaled \$923,950.

"The addresses of these donors are not shown on the

Fund's tax returns, despite the fact that such information is required by Treasury regulations," Patman said.

The donors were listed as the Gotham Foundation, and the Michigan, Andrew Hamilton, Borden, Price, Edsel, Beacon and Kentfield Funds.

Congressional Questions

Rogovin, who at present is the only person in Internal Revenue authorized to deal with CIA, urged that answers to a list of questions advanced by Patman and Roosevelt be taken up privately. Patman then called a meeting in his office with IRS and CIA representatives.

The Texan's questions dealt with such subjects as why CIA had chosen the Kaplan Fund as a conduit, how many other tax-exempt organizations may be conduits, just when CIA money went into the Kaplan Fund, and whether the CIA money was "actually disbursed by the Kaplan Fund."

At the hearing, Rogovin said repeatedly that Internal Revenue had no "arrangement" with CIA. Instead, he said, a representative of the CIA's general counsel's office, Milan Miskovsky, merely informed him late in 1961 that it was using the Kaplan Fund as a conduit.

Told of Investigation

During this or subsequent conversations, Rogovin said, he informed Miskovsky that the Kaplan Fund was under investigation.

Just when the CIA was sending funds through the Kaplan Fund was not made entirely clear.

Patman said that a few days after the Aug. 10 hearing, he was visited by George Cary, "who described himself as assistant legislative counsel of the CIA," Cary told him, Patman said, that CIA had been using the Kaplan Fund as a conduit, but added that "he knew very little about it."

The Congressman told the hearing that Cary "guessed" that the IRS-CIA-Kaplan Fund arrangement [Rogovin insisted IRS had no arrangement with CIA on this] was made in 1960 and terminated in 1962.

Cary disclosed so little, Patman continued, that his visit "didn't make much sense." At Patman's suggestion, Cary

spoke to Harry Olsher of the subcommittee staff.

Patman said that Cary promised to phone Olsher the months and years of the "arrangement." When he called a couple of weeks later his message was, the Congressman said, that "it appears" the so-called arrangement "was made in 1959 and terminated in 1964."

Background of Fund

At the Aug. 10 hearing, Patman said that the Kaplan Fund was organized in Delaware in 1944, two years before it won a tax exemption as an organization intended "exclusively for charitable purposes." That meant that contributions made to it could be deducted as charity by the donors.

The founder was Jacob Merrill Kaplan, now 70, of New York, a former president of the Welch Grape Juice Co. In his biographical entry in Who's Who, he says: "Spent 10 yrs. in semitropical Latin America sugar producing countries." The entry also says that he headed a number of molasses firms and holding and other companies. From 1956 to 1960 he was a publisher of the Middletown, N. Y., Record.

Patman has said that in a number of instances Kaplan has used tax-exempt charitable funds "set up and dominated by him" to gain control of various companies.

\$19.3-Million Gross

Patman said the gross receipts of the Kaplan Fund for the years 1951 through 1963 totaled \$19.3 million, while contributions paid out came to \$6 million.

In 1957, Donald R. Moysey, Internal Revenue Director for Lower Manhattan, recommended revocation of the Fund's tax exemption. Moysey said the Fund operated as Kaplan's "alter ego," was carried on like "an ordinary investment enterprise," and was "clearly competing" in the marketplace.

In 1954, Patman said, the Kaplan Fund advanced \$400,000 to "bail out" a corporation, the purpose being to provide for the welfare of a sister, a nephew and a niece. Moysey deemed this a "prohibited transaction."